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FISCAL IMPACT STATEMENT

LS 7597

BILL NUMBER: HB 1426

NOTE PREPARED: Mar 20, 2007

BILL AMENDED: Mar 19, 2007

SUBJECT: Economic Incentives Accountability.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR: Sen. Ford

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill requires the Indiana Economic Development Corporation (Corporation) to report semiannually on certain tax credits, loans, and grants provided by the state and on the level of compliance by recipients with representations made to obtain the benefits. It provides that the Corporation shall seek to reclaim certain tax credits, loans, and grants if the entity to which the tax credit, loan, or grant is awarded has not, in the absence of good cause, complied with the representations made by the entity in obtaining the tax credit, loan, or grant. It also repeals requirements that the Corporation make annual reports concerning: (1) the Economic Development for a Growing Economy (EDGE) Tax Credit Program; and (2) the Hoosier Business Investment Tax Credit Program.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) *Summary:* The bill requires the Indiana Economic Development Corporation to publish a semiannual economic incentives and compliance report in 2008 and 2009; and an annual economic incentives and compliance report beginning August 1, 2010. The bill also repeals annual reporting requirements that apply specifically to the EDGE Credit Program and the Hoosier Business Investment Tax Credit Program as a result of the new reporting requirements established by the bill. The IEDC's current level of resources should be sufficient to fulfill these administrative tasks. The March 19, 2007, state position vacancy report indicates that the IEDC has 32 vacant full-time positions.

Background Information: The bill requires the economic incentives and compliance report to be published each year on February 1st (covering the preceding July to December period) and August 1st (covering the preceding January to June period) through 2009. Beginning in 2010, an annual report is required instead of the semiannual reports. The annual report must be published before August 1st (covering the preceding July

to June period). The report requirements established by the bill apply to (1) grants given by the state, (2) loans (forgivable or not) and loan guarantees made by the state, and (3) specified state tax credits applied for and awarded after July 1, 2007. The state tax credits to which the reporting requirements apply are as follows:

- (1) Enterprise Zone Loan Interest Credit
- (2) EDGE Credit
- (3) Capital Investment Tax Credit
- (4) Hoosier Business Investment Tax Credit
- (5) Blended Biodiesel Tax Credits
- (6) Ethanol Production Tax Credit
- (7) Headquarters Relocation Credit.

The bill requires the economic incentive and compliance report to be submitted to the Governor and the Legislative Council, and published on the IEDC's Internet web site. The report must include at least the following:

- (1) The total amount of tax credits applied in the state, loans made in the state, and grants given in the state.
- (2) The name and address of the recipients of the tax credits, loans, or grants reported for the 6-month period.
- (3) The amount of the tax credits, loans, or grants reported for the 6-month period.
- (4) The purpose of the tax credits, loans, or grants for the 6-month period.
- (5) Representations of the recipient when applying for the tax credits, loans, or grants as to the number of new, retained, or trained employees and other employee benefits; and certification by the IEDC that the recipient meets the program requirements and representations as to employee wages and compensation.
- (6) The extent to which the recipient has complied with the representations described in (5).

Explanation of State Revenues: The bill requires the IEDC to seek refunds of tax credits, loans, or grants from a recipient that it finds (in compiling the information for the compliance reports) has not complied with the representations that the recipient made in obtaining the tax credit, loan, or grant; and the IEDC determines the noncompliance was not for good cause. The impact of this provision is indeterminable and would depend upon administrative actions by the IEDC and compliance rates among incentive recipients.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources:

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